



**Missouri Department of Revenue**

# **Comprehensive Annual Financial Report (CAFR)**

***Fiscal Year Ended June 30, 2002***

***A Component Unit of the State of Missouri  
Combined Annual Financial Report of the  
Director of Revenue and State Treasurer***



# Missouri Department of Revenue

## *Introductory*

*The Introductory Section contains material to familiarize the reader with the contents of the report, organizational structure, and operation of the department.*

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# **Missouri Department of Revenue**

## **Comprehensive Annual Financial Report (CAFR)**

**Fiscal Year Ended June 30, 2002**

**Combined Annual Financial Report  
of the  
Director of Revenue and State Treasurer**

**Carol Russell Fischer  
Director of Revenue**

**Nancy Farmer  
State Treasurer**

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Department of Revenue**

May 22, 2003

The Honorable Bob Holden and  
Members of the General Assembly:

I am pleased to submit the Comprehensive Annual Financial Report of the Missouri Department of Revenue for the fiscal year ended June 30, 2002.

The Department of Revenue report is intended to present fairly the financial position and results of operations of the Department of Revenue. This report is prepared in accordance with generally accepted accounting principles and consists of three sections.

1. The Introductory Section includes a summary of the Department of Revenue's strategic plan, general information, and the organization of the department.
2. The Financial Section includes a management discussion and analysis, the financial statements, and related footnotes.
3. The Statistical Section includes schedules depicting tax and fee collections and distributions.

The Department of Revenue is responsible for the accuracy of the data presented and the completeness and fairness of the presentation.

This report, together with statements prepared by the State Treasurer (attached to this report) and the Missouri Comprehensive Annual Financial Report of the Office of Administration, Division of Accounting (published separately), fulfill the statutory requirements for financial reporting under Section 32.060, RSMo. 2000.

Sincerely,

Carol Russell Fischer

# ***Simplify***

## ***Mission***

*Improving what we do to make the government work for you. We:*

- *Collect taxes and fees to provide resources to serve the needs of Missouri*
- *Ensure compliance with driver licensing and related laws to help keep Missouri's roads safe*
- *Provide assurance of ownership needed for buying, selling, and financing motor vehicles and marine craft*

## ***Values***

*We are dedicated to serving our customers fairly and with the highest level of integrity. We value our:*

### ***Bottom Line***

*Measuring our performance and communicating results*

### ***Front Line***

*Involving all employees in improving our performance*

### ***Customer Line***

*Asking customers what they want and ensuring the lines of communication are open so they can tell us*



## *Outcomes*

- *Increased customer satisfaction*
- *Increased voluntary compliance*
- *Decreased cost of compliance*
- *Increased quality performance*

## *Strategic Issues*

- *Improve internal and external communication*
- *Develop systematic customer complaint and query management tools*
- *Expand alternative service delivery methods*
- *Improve legislative support processes*
- *Make the Department of Revenue a great place to work*
- *Ensure the viability of information technology*
- *Explore alternative funding sources for the department*
- *Improve central office support of field operations*
- *Ensure security and privacy*
- *Ensure workforce diversity*
- *Improve and standardize departmental measures*

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*Continue improvement and achieve targets on key operational products and key support products*

## ***Key Operational Products***

### ***Division of Taxation and Collection:***

- *Individual Income Tax Return*
- *Sales Tax Return*
- *Sales Tax Audit*
- *Corporate Income Tax Return*
- *Corporate Income Tax Audit*
- *Business Tax Collection Case*
- *Individual Income Tax Collection Case*
- *Withholding Tax Return*
- *Fuel Tax Return*

### ***Division of Motor Vehicle and Drivers Licensing:***

- *Field Office Operation*
- *Driver License - Initial*
- *Driver License - Renewal*
- *Motor Vehicle Title*
- *Motor Vehicle Registration*
- *Insurance Verification*

## ***Key Support Products***

### ***Division of Administration:***

- *Criminal Investigation Case*
- *Performance Management Plan*
- *Purchasing Process*
- *Mail Process*

### ***General Counsel's Office:***

- *Regulations – Taxation and General*
- *Regulations – Motor Vehicle and Drivers Licensing*

### ***Revenue Technology:***

- *Website Plan*
- *Network Plan*



# Missouri Department of Revenue

## *Overview*

*The Overview provides a description of the Department of Revenue, an organization chart, and a list of principal officials.*

Generally Accepted Accounting Principles (GAAP) require that the reporting entity provide a Management Discussion and Analysis. This Overview complements the analysis and should be read in conjunction with it. The Department of Revenue's Management's Discussion and Analysis begins on page 1.

## REPORTING ENTITY

The People of Missouri created the Department of Revenue (department) when they adopted Article IV, Section 12, of the 1945 Constitution of Missouri.

The department serves as the central collection agency for all state revenues.

The Department of Revenue serves as the central collection agency for state revenues.

The primary duties of the department are the collection of taxes, titling and registration of motor vehicles, and licensing of drivers throughout the state.

The Director of Revenue is responsible for all operations and policies of the department. The Director is appointed by the Governor with the advice and consent of the Senate.

Three divisions administer the operations of the department. They are the Divisions of Administration, Motor Vehicle and Drivers Licensing, and Taxation and Collection. The directors of each of these divisions are appointed by the Director of Revenue.

The number of employees authorized by the legislature for Fiscal Year 2002 was 2,019 with an operating budget of \$94,105,529. The operations of the Highway Reciprocity Commission (HRC) are included in the financial statements. HRC was organized under the department as a "Type II transfer" as is defined in Appendix B of the Reorganization Act of 1974 (RSMo). The State Tax

Commission and State Lottery Commission, although organized within the department, are administered separately and therefore not included in the financial statements.

Effective July 12, 2002, pursuant to Executive Order 02-03 and Senate Bill 1202, HRC transferred from the jurisdiction of the Department of Revenue to the Missouri Department of Transportation (MoDOT). Effective with the transfer, HRC operations are no longer part of the department's reporting entity.

The department is subject to Sections 36.031, 36.100, 36.110, 36.120, and 36.130, RSMo relating to the position classification plan of the State Personnel Law (Merit System) and also to the pay plan of the Merit System.

## OFFICE OF THE DIRECTOR

### Director of Revenue

The Director of Revenue supervises all operations of the Department of Revenue (department). The Director formulates general policy and determines long-term goals for the department.

### Deputy Director

The Deputy Director has line authority for operational decision-making within the department.

The number of employees authorized by the legislature for Fiscal Year 2002 was 2,019 with an operating budget of \$94.11 million.

## Overview

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### Budget Office

The Budget Office coordinates the preparation of the department's annual budget request. This office reviews core budgets to ensure they are consistent with the department's strategic plan outcomes, priorities, and guidelines. The Budget Administrator serves as the department liaison with the Office of Administration's Division of Budget and Planning and the state legislature.

### Center for Performance Excellence

The Center for Performance Excellence facilitates the improvement of the department's performance by developing the department's strategic plan around its key products and outcomes, organizing and leading teams designed to improve responsiveness to customer wants and needs, and implementing a department-wide career development plan and training for employees.

### General Counsel

The General Counsel advises the Director on all legal matters. The attorneys in the General Counsel's Office represent the Director in tax litigation and in driving while intoxicated (DWI), licensing, motor vehicle, and fuel tax hearings. This office provides legal opinions interpreting the tax and transportation laws of the state. This office also works closely with the Office of the Attorney General and local prosecutors in court proceedings involving state taxation and transportation laws.

### Internal Audit

Internal Audit reviews and evaluates the department's administrative, operational, and internal accounting controls to ensure their

adequacy for safeguarding the department's assets. Internal Audit appraises the effectiveness and efficiency of resource use and reports findings and recommendations to department management.

### Revenue Technology

Revenue Technology provides leadership, oversight, and advice in the area of information technology to help the department accomplish strategic goals and program objectives.

### Office of Legislation and Regulations

The Office of Legislation and Regulations is responsible for the development and tracking of the department's legislative priorities through the legislative process. The office also develops the fiscal impact of all legislation that may impact the operation of the department. In addition, it manages the publication process for departmental rules and regulations.

## DIVISION OF ADMINISTRATION

The Division of Administration is responsible for providing service and administrative support to the Department of Revenue (department). This includes providing a quality work environment, maintaining

The Division of Administration provides service and administrative support to the department.

employee relations, procuring goods and services, accounting, finance, technology services, investigative services, and general services such as mail processing, warehousing, and records storage. The division includes four bureaus and one office.

## **Criminal Investigation Bureau**

The Criminal Investigation Bureau is responsible for creating and maintaining a climate for voluntary tax and motor vehicle compliance by investigating complaints and developing information leading to prosecution of individuals violating state statutes. The bureau operates six offices located throughout the state.

## **Financial and General Services Bureau**

The Financial and General Services Bureau provides financial and general services to the department. Accounting Services processes and records departmental expenditures, prepares the Department of Revenue Comprehensive Annual Financial Report, monthly spending plans, fiscal note responses, the division's budget request, coordinates the preparation of monthly financial statements, provides control and record keeping of the department's fixed assets, and monitors telecommunication costs. Delivery Services maintains and schedules vehicles and performs deliveries. The Investment and Cash Management Office provides deposit and accounting document approval for all monies received and coordinates investment and collateralization of nonstate funds under the department's control. The Mail Service Center handles incoming and outgoing mail. Purchasing Services coordinates procurement activities. Central Stores receives, stores, and distributes supplies, forms, and new fixed assets. The Warehouse and Archive Center archives approximately 50,000 boxes of nonpermanent department records and provides temporary storage for overflow supplies and forms. Facilities coordinates with the Office of Administration regarding the maintenance and improvement of the

work environment within the department and performs telephone moves and installations.

## **Human Resource Services Bureau**

Human Resource Services provides employment opportunities and employee relations' services to all employees within the department. Employment Services coordinates the department's payroll, organizes all aspects of hiring, maintains official personnel files, and handles workers' compensation and unemployment claims. The Human Relations Officer provides informal problem resolution assistance and consultations to management and staff and promotes a positive work environment. The Manager of Human Resource Services coordinates compensation and classification issues, revises, creates, and interprets departmental policy, prepares the Affirmative Action Plan, and oversees the SAM II HR system and report generation.

## **Technology Services Bureau**

The Technology Services Bureau provides systems development and support, production control, database administration, and technical support services throughout the department.

## **Division Director's Office**

The Division Director's Office is responsible for the overall administration of the four bureaus described above.

# DIVISION OF MOTOR VEHICLE AND DRIVERS LICENSING

The Division of Motor Vehicle and Drivers Licensing is responsible for administering Missouri statutes that relate to the licensing of drivers and the titling and registration of motor vehicles, all-terrain vehicles, trailers, and marinecraft.

This division consists of three bureaus and an administrative office.

The Division of Motor Vehicle and Drivers Licensing administers Missouri statutes relating to the licensing of drivers and titling and registration of motor vehicles, all-terrain vehicles, trailers, and marine craft.

## Driver and Vehicle Services Bureau

The Driver and Vehicle Services Bureau is responsible for the titling and registration of motor vehicles, all-terrain vehicles, trailers, manufactured homes, and marine craft in the state and issuing disabled placards and temporary permits. It is also responsible for licensing and regulating motor vehicle and marinecraft dealers and manufacturers and issuing registration certificates to dealers.

In addition, the bureau is responsible for suspending and revoking, when applicable, driver licenses, driving permits, and vehicle registrations. This bureau processes and maintains records relating to traffic violation point assessments, the administrative driving while intoxicated (DWI) and abuse and lose laws for alcohol/drug offenses, failure to appear in court for traffic violations, and the safety responsibility (mandatory insurance) laws for uninsured motorists.

## Customer Assistance Bureau

The Customer Assistance Bureau is responsible for directing the operations of the 11 branch and 171 agent offices throughout the state. Branch offices are staffed by state employees. Agent offices, located in almost every county in Missouri and in major metropolitan areas of the state, are independently operated by contractual agents. Agents have statutory authority to charge customers service fees ranging from \$2.50 to \$5.00 for each motor vehicle or driver license transaction. The bureau oversees the processing and issuance of all driver and nondriver licenses and school bus permits and the certification of third party testers. In addition, it oversees various phone centers to help customers with their driver and vehicle transactions.

## Information Technology Bureau

The Information Technology Bureau is responsible for the technical analysis, design, development, and implementation of the division's data processing systems.

## Division Director's Office

The Division Director's Office is responsible for the overall administration of the three bureaus and the field operations described above. This includes the preparation of legislative testimony, the review and analysis of fiscal notes, the development of all written communications, and the handling of the divisional accounting and budgeting functions.

## DIVISION OF TAXATION AND COLLECTION

The Division of Taxation and Collection is responsible for the administration of Missouri's tax laws and processes and administers forms and reports for the collection of revenue due the state and local taxing jurisdictions.

The Division of Taxation and Collection administers Missouri's tax laws.

### Accounting Services Office

Accounting Services is responsible for cashiering and depositing tax and fee collections, branch and agent office accounting and return check collection, division mail distribution, divisional accounting and financial statement preparation, document security enforcement, centralized filing systems, word processing and microfilming functions, and division forms and publication orders.

### Business Tax

Business Tax (BT) is responsible for the administration of sales/use, financial institutions, insurance premiums, franchise, county, excise, cigarette and other tobacco products, corporate income, and withholding taxes and fees. BT also distributes locally imposed sales and use taxes to local jurisdictions, administers business tax registration and issues sales/use tax licenses to taxpayers, handles correspondence and taxpayer protests, processes amended returns, writes regulations, and pursues collections from noncompliant taxpayers through its Nexus programs.

### Customer Assistance

Customer Assistance (CA) is responsible for contacting individuals and businesses who have unpaid tax liabilities, pursuing bad checks, reimbursing prosecuting attorneys for collections made, submitting fee payments to the recorder of deeds for filing lien documents, conducting skip tracing to locate taxpayers and their assets, certifying files and records for the prosecuting attorneys, and assisting the prosecuting attorneys with account analysis to prosecute cases. CA is also responsible for providing taxpayer assistance to taxpayers in regional offices within Missouri. This assistance includes answering questions, registering taxpayers, issuing sales/use tax licenses, participating in taxpayer training programs, making field visits to taxpayers who are delinquent in paying their taxes, and appearing in court on behalf of the Director on cases pursued by the prosecuting attorneys.

### Field Audit (In-state and Out-state)

Field Audit is responsible for conducting field audits of businesses required to pay taxes to the State of Missouri. The in-state operations perform central support functions and include eight offices. The out-state operations include offices in Chicago, Dallas, and New York.

### Information Technology

Information Technology (IT) is responsible for the technical analysis, design, development, implementation, and maintenance of the division's data processing systems. IT provides quality assurance, program maintenance, and technical support for electronic data processing communications, systems programming, and data



## Overview

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base administration. IT also provides personal computer software training, in-house programmer training, system training to division personnel, and administers electronic media including an Internet web site and forms by fax for the division.

### Personal Tax

Personal Tax is responsible for administering individual income, partnership, fiduciary, and estate taxes and property tax credits. Administrative functions include tax return receipt and extraction of incoming mail, tax return analysis, data entry, tax return error correction, and discovery and collection of tax liabilities.

### Division Director's Office

The Division Director's Office is responsible for the overall administration of the areas described above. This includes preparation of legislative testimony, fiscal note preparation including administrative impacts, preparation of the division's budget request, tax returns and forms design, and electronic-commerce.

## HIGHWAY RECIPROCITY COMMISSION

The Missouri Highway Reciprocity Commission (HRC) is a member of the International Registration Plan and is authorized to negotiate and enter into reciprocal agreements or arrangements with other jurisdictions, the District of Columbia, territories, and possessions of the United States and foreign countries

The Highway Reciprocity Commission enters into reciprocal agreements with other states and jurisdictions to coordinate collection of fuel taxes and registration and license fees from commercial vehicle operators.

concerning commercial motor vehicle registration fees for interstate use of the highways. The HRC is also a member of the International Fuel Tax Agreement that enables it to collect fuel taxes under base state reporting.

## SUMMARY OF BUDGETARY CONTROL

The Department of Revenue's (department) annual budget is prepared principally on the cash basis and represents departmental appropriations recommended by the Governor and passed by the state legislature prior to the beginning of the fiscal year. If appropriations are not sufficient for a fiscal year, the department may request supplemental amounts during the next legislative session by the same process it requested original appropriations. The state legislature appropriates money to the department at the divisional level. Expenditures cannot exceed the appropriation amounts at the General Assembly appropriated level. Also, the Governor has the authority to reduce the allotments or appropriations in any fund if it appears that revenues for the fiscal year will fall below the estimated revenues. Unexpended appropriations lapse at the end of each appropriation year. The budgetary basis differs from generally accepted accounting principles. Therefore, amounts stated in the accompanying schedules of appropriation and expenditures – budget and actual are presented on the budgetary basis, that is, the cash basis. The schedules begin on page 36.

## MANAGEMENT RESPONSIBILITIES AND REPRESENTATIONS

The financial statements are based on generally accepted accounting principles considered by management to present fairly and consistently the Department of Revenue's (department) financial position and results of operations.

The department's system of internal accounting controls is designed to provide reasonable assurance that (1) transactions are executed in accordance with management's authorizations; (2) assets are protected against loss from unauthorized use or disposition; and (3) financial records are reliable to prepare financial statements and maintain accountability of assets and obligations.

The department-wide financial statements are prepared on the accrual basis of accounting and the fund statements are prepared on the modified accrual basis in conformity with generally accepted accounting principles.

## PENSION AND OTHER EMPLOYEE BENEFITS

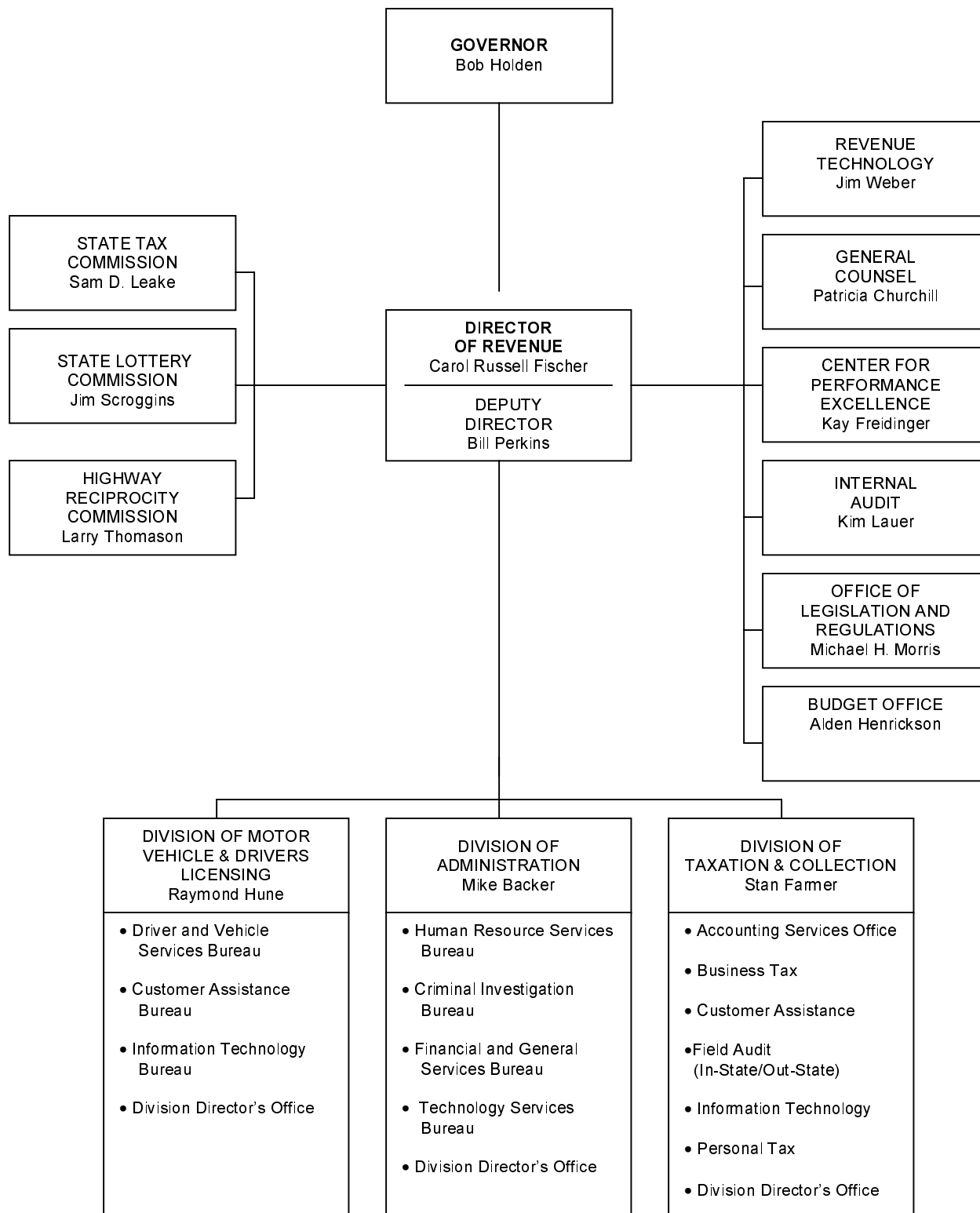
The Department of Revenue's (department) employees are covered under the Missouri State Employees' Retirement System (MOSERS). The Office of Administration makes the contribution to MOSERS for the department's employees. Beginning on page 34 of the Notes to the Financial Statements is additional information about employee pensions and other benefits.

## AUDIT

The accompanying financial statements have not been audited by an independent auditor. The financial statements have been marked unaudited.

# Department of Revenue

## Organizational Chart



# DEPARTMENT OFFICIALS

***Carol Russell Fischer***  
*Director*

***Bill Perkins***  
*Deputy Director*

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***Patricia Churchill***  
*General Counsel*

***Jim Weber***  
*Chief Information Officer*

***Mike Backer***  
*Director of Administration*

***Raymond Hune***  
*Director of Motor Vehicle and  
Drivers Licensing*

***Stan Farmer***  
*Director of Taxation and Collection*

***Larry Thomason***  
*Director of Highway Reciprocity Commission*